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TAGS: [IR](#) [IZ](#) [PGOV](#) [PINS](#) [PREL](#)
SUBJECT: VP ABDEL MEHDI AND AMBASSADOR REVIEW KEY
LEGISLATION AND IRAN TALKS

Classified By: Ambassador Ryan C. Crocker for reasons 1.4 (b) and (d).

¶1. (S) Summary: Vice President Adel Abdel Mehdi told the Ambassador on May 29 that the revenue sharing component of the hydrocarbon law was very close to completion. The major outstanding issue, he said, was the mechanism of distribution of surplus revenue to regions and provinces. The Ambassador urged Abdel Mehdi to find the best way of dealing with a proposal in the Council of Representatives to legislate a timeline for coalition withdrawal. The Ambassador gave Abdel Mehdi a read-out of the May 28 talks with Iran, noting that the U.S. needed to see a change in Iranian behavior on the ground. Abdel Mehdi argued that the choice to participate in the talks represented "a strategic choice" for Iran and urged that they be continued. End summary.

Hydrocarbons: Distribution of Surplus Revenues the Issue

¶2. (C) Abdel Mehdi said that after several long negotiating sessions there was an agreement on principles but still some "suspicion in the details" on the revenue sharing component of the hydrocarbon law. The KRG and the GOI agreed that the budget mechanism was the appropriate framework for revenue distribution, he said, and that there should be an automatic transfer of revenues to, in the case of the KRG, and independent account in Irbil. Abdel Mehdi said the KRG had some concerns with letters of credit with the state-owned Trade Bank of Iraq and that he had proposed that government institutions open accounts in private banks (though he acknowledged this solution might be risky given Iraq's indebtedness.)

¶3. (C) The real issue that remained, however, was how to distribute "surplus" revenues. The GOI, Abdel Mehdi said, considered any surplus as akin to a supplemental budget. The same principles should apply to surplus revenues as to the regular budget, he continued, namely that it would be distributed to regions and provinces per an agreed formula unless there was some extraordinary reason that the central government would need to use part of it (e.g., a "strategic project" or to cover a projected revenue shortfall). The KRG, Abdel Mehdi said, was insisting that surplus be transferred immediately to regions and provinces per the formula, with the understanding that if part of it might be transferred back if necessary. Abdel Mehdi said he thought that a decision on whether there was an "extraordinary need" should be made before the surplus was transferred to regions and provinces, but that he would agree to an immediate transfer "as long as there is an article saying that if the entity does not give back what is necessary in extraordinary cases then the federal government can withhold that amount in the future." The Ambassador agreed with Abdel Mehdi that the two sides were very close and pressed him to reach an agreement now.

Other Key Legislation

¶4. (C) The Ambassador said that Vice President Tariq al-Hashemi had expressed his appreciation for the constructive spirit of Abdel Mehdi's deBaathification reform draft law and had only one or two issues to resolve. Abdel Mehdi said he had not received formal feedback but would see al-Hashemi on May 30. (He also expressed concern with a recent statement of al-Hashemi calling for wholesale return of units of the old Iraqi army, saying it made the Shi'a and Kurds nervous.) Abdel Mehdi said that Prime Minister Maliki wanted him to add an explicit prohibition on the return of Saddam's special security services. On Kirkuk, he said that, based on recent conversations, Kurdish leaders appeared willing to accept a delay in Article 140 implementation but would not necessarily want to announce a change in policy until it was clear it was impossible for the referendum to take place as scheduled. Both Abdel Mehdi and the Ambassador expressed concern about a proposal in the CoR to legislate a timetable for coalition withdrawal, perhaps linked to training of Iraqi security forces (ISF). The Ambassador urged that ISCI work with like-minded colleagues in the CoR to either block the proposal or channel it into a statement of support for building ISF to contribute to security in Iraq and allow the coalition to complete its mission.

Concern in Najaf

¶5. (C) Abdel Mehdi, who had visited Ayatollah al-Sistani and the three other leading marja' of Najaf within the past week, told the Ambassador that the marja'iya were very concerned

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with security (including in the south) and lack of services. They were critical of the government, he said, and wanted to see more professional ministers. Abdel Mehdi said he advocated for the moderate front solution, an alliance of ISCI, Dawa, IIP, KDP, and PUK, giving the Presidency Council a more active role through a PM plus Presidency mechanism for making key decisions.

Abdel Mehdi Urges Iran Talks to Continue

¶6. (S) Asked by Abdel Mehdi for a readout from the May 28 U.S.-Iran-Iraq talks, the Ambassador provided the same general description he gave in a press conference following the talks. The Iranian team was clearly under strict instructions that limited the depth of their engagement, he added, questioning whether their intent was "talks for the sake of having talks." Abdel Mehdi noted that it would be difficult to dig deeply into substance in a first meeting. He opined that the talks represented a "strategic choice" for Iran, not just a tactical move; he added that those in Iran who argued for the talks did so at some risk. The Ambassador said that the U.S. had not expected Iran to admit to providing lethal support to Iraqi militants: "We do not need them to acknowledge what they have been doing; we need them to stop it." Abdel Mehdi urged that the talks continue and asked whether he might invite the U.S. and Iranian sides to a private lunch away from the glare of the media. The Ambassador said it would be worth floating the idea with the Iranians and that it might be suitable after another formal meeting, should one take place. (Note: A mortar or rocket impact shook the windows in Abdel Mehdi's residence during the meeting, prompting Abdel Mehdi to recall a discussion he had with Quds Force leader Qassim Soleimani in Tehran just prior to the May 28 talks. He said they speculated whether indirect fire (IDF) would interrupt the talks in any way. According to Abdel Mehdi, Soleimani joked that if the IDF was accurate, it was his. Endnote.)

